FISCAL NOTE

HB 2655 – SB 3285

March 3, 2006

SUMMARY OF BILL: Makes a dealer exempt from any sales and use tax liability for tangible personal property delivered to a purchaser either directly, via delivery service, or at the dealer's business location whenever (1) the purchaser represents or claims tax exempt status as a result of purchaser being an educational, religious, charitable institution or organization, or historical property and (2) the dealer has obtained and maintains a copy of the exemption certificate issued to the purchaser by the Commissioner of the Department of Revenue.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds $175,000

Decrease Local Govt. Revenues – Exceeds $55,000

Assumptions:

- Current law holds dealers ultimately responsible for the payment of sales tax on any sales initially made as tax exempt, but are later determined taxable, whether they end up collecting it from the purchaser or not.
- This bill relieves the dealer of that liability when the purchaser has provided the dealer a copy of their exemption certificate that has been issued to them by the DOR.
- According to the Department of Revenue, holding the dealer ultimately responsible for the tax provides added incentive for dealers to verify the tax exempt status of purchasers and it serves as an additional safeguard for the state receiving the tax revenue as intended.
- A minimum of $5.0 million in sales shift from taxable to tax exempt as a result of the change in collection mechanisms.
- 50% of any reduced tax revenue is recovered through the purchasers.
- The decrease in state revenues is estimated to exceed $175,000 ($5.0 million in sales X 7% state rate X 50% recovered = $175,000).
- The decrease in local government revenues is estimated to exceed $55,000 ($5.0 million in sales X 2.25% local option rate X 50% recovered = $56,250).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director